United Nations A/58/13/Add.1

General Assembly
Official Records
Fifty-eighth Session
Supplement No. 13 (A/58/13)

4 August 2003

Report of the Commissioner-General of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

Addendum

Programme budget 2004-2005

Contents

Chapter		Page
I.	Introduction to the 2004-2005 biennium budget	2
II.	Education programme	39
III.	Health programme	46
IV.	Relief and social services programme	55
V.	Microfinance and microenterprise programme	63
VI.	Operational and technical services	66
VII.	Common services	71
VIII.	Staff costs	75
IX.	Project budget	77

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I. INTRODUCTION TO THE 2004-2005 BIENNIUM BUDGET

1.1 The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by General Assembly resolution 302 (IV) of 8 December 1949. The mandate of UNRWA has been renewed repeatedly, most recently by the General Assembly in its resolution 56/52 of 10 December 2001, when it was extended until 30 June 2005.

1.2 UNRWA reports directly to the General Assembly to which the Commissioner-General submits an annual report. A general review of UNRWA programmes and activities is undertaken on an annual basis by the ten-member Advisory Commission, which includes representatives of the Agency's major donors and host authorities. The Advisory Commission has a working relationship with the Palestine Liberation Organisation.

STRATEGIC GOALS

1.3 The Agency's goal is to promote the human development of the Palestine refugees and strengthen the self-reliance of the refugee community. The long-term viability of its programmes and sustainability are key themes of its activities. Where feasible, UNRWA incorporates cost sharing and self-support measures into its programmes to ensure the efficient use of resources and to encourage participation by the beneficiary population in the provision of services.

1.4 During the biennium 2004-2005, UNRWA will to continue to provide basic education, health, and relief and social services to more than four million registered Palestine refugees living in Jordan, Lebanon, the Syrian Arab Republic and in the West Bank and the Gaza Strip. It will also continue to offer services under its Microfinance and Microenterprise Programme.

1.5 As in past years, in preparing its 2004-2005 budget, the Agency has been caught in a dilemma of whether to base its budget on the total needs of its clientele population in accordance with its mandate or, in view of the successive funding shortfalls during the last years, to construct a budget that might realistically be funded by the donor community. As a result, the Agency made strategic choices about adequate resourcing of the programme activities it reasonably expects to be funded, and those activities which, while essential, have had to be frozen or eliminated altogether for lack of funds. The 2004-2005 biennium budget, therefore, reflects the Agency's bare minimum requirements to sustain essential services, with only limited provisions for additional activities it must implement to carry out its mandate.

1.6 The overall objective of UNRWA for the biennium 2004-2005 is to improve the health and education infrastructure and promote socio-economic development within Palestine refugee communities by continuing to provide services and assistance as it has for more than 50 years, waiting a just and durable solution of the Palestine refugee problem. Non-refugees are, from time to time, provided services when the Agency determines them to be in special need or when the General Assembly mandates.

1.7 The Agency also provides emergency assistance to Palestine refugees in situations of acute distress. Following the outbreak of strife in the occupied Palestinian territory (oPt) in September 2000, UNRWA launched a number of emergency appeals and with donor support began promoting emergency assistance to more than 1 million affected refugees, including food aid, employment generation, medical treatment as well as shelter repair and reconstruction. Selective cash and in-kind assistance is offered to families in a state of acute need. Should the current humanitarian crisis in the oPt continue, the Agency will seek further funding through additional emergency appeals to maintain its programme of emergency assistance.

1.8 UNRWA will continue to seek funding for projects including upgrading of school infrastructure, construction and repair of shelters for the most vulnerable families and improvement of environmental health infrastructure in the camps, thus contributing to the improvement of living conditions and socio-economic development of the refugee community.

BUDGET FORMAT

1.9 The 2004-2005 budget provides the Agency with a renewed opportunity to document the way it intends to allocate its resources to meet its programme, operational and management objectives. Programmatic aspects of the budget have been integrated with the resource narrative by employing a consistent results-based budgeting approach linking clearly defined programme activities to programme objectives and expected accomplishments, with assessment of the latter provided for by key performance indicators. This approach reinforces the usefulness of the budget as a planning, managerial and fundraising tool, while at the same time maintaining the Agency's financial transparency and integrity. Salient features of the budget are detailed below:

(i) The budget hinges on a biennial programme of work, which specifies objectives, planned activities and expected accomplishments measured by key performance indicators for all Agency activities;

(ii) The budget covers the Agency's total financial requirements for regular programme activities. This includes both the general fund (with its in-kind component) and the project budget;

(iii) Coherent programme descriptions and justification for all budgeted activities have been provided;

(iv) Biennial estimates are provided for the 2004-2005 biennium together with comparative data for prior biennia, to facilitate comparisons, and where appropriate, to offer baseline data against which to discern programme and budget trends;

(v) Although UNRWA prepares its budget on a biennial basis, operations are financed on an annual basis. Because the fiscal year rather than the biennium is the most relevant for financial management and fundraising, annual as well as biennial figures are listed throughout the document;

(vi) As was the case for the previous two biennia, budget preparation has been guided by planning and budgeting assumptions based on maintaining services at the current level of activity, except in response to changed host authority requirements.

BUDGET STRUCTURE

1.10 The structure of UNRWA's budget reflects both the recurrent/non-recurrent nature of activities and the means by which they are funded. The budget document indicates how the Agency expects to fund the budget from the different income sources on which it relies. The budget is broadly divided into two parts:

(i) The **regular budget** comprises recurrent staff and non-staff costs. It is further divided into cash and in-kind portions. The cash budget is funded through cash contributions recorded as income to the General Fund (GF). The in-kind budget represents the value of in-kind donations that the Agency expects to receive based on agreements with donors or past practice (for example, food aid).

(ii) The **project budget** comprises mainly non-recurrent costs funded by earmarked project contributions. Activities are implemented only if they are specifically funded by donors. Most of the Agency's capital costs are included here due to insufficient donor funding to meet all the requirements of the general fund.

1.11 The regular budget and the project budget together comprise the total budget volume for 2004-2005. The budget text clarifies which programme activities fall under the General Fund, and which fall under the project budget component.

CHANGES IN THE CURRENT BUDGET SUBMISSION

1.12 **Residual effect of the emergency situation:**

Included in the biennium 2002-2003 budget was $ 8.1 million to meet the additional demand on the Agency's regular budget resulting from the emergency situation, which had existed since September 2000. This budget item was included on the optimistic view that this crisis would come to an end during the biennium. However, due to the continuation of the conflict in the West Bank and the Gaza Strip, the Agency was compelled to issue separate emergency appeals to meet the emerging requirements in the oPt. Therefore, the 2004-2005 regular budget has not included a provision for the residual effect of the emergency situation in the oPt, because if the emergency situation persists, UNRWA will continue to launch separate emergency appeals commensurate with changing needs and priorities. In the event of progress towards peace, UNRWA will have to cope with the demands of transition from conflict to recovery and development through a special appeal for this purpose similar to the Peace Implementation Programme (PIP), which was launched after the signing of the Oslo accords.

1.13 **Project budget:**

Although developmental needs in the Agency's area of operations have become greater, the project budget has been reduced from $ 116 million in 2002-2003 to $ 93 million in 2004-2005 by application of strict criteria consistent with the best level of anticipated donor funding. Therefore, the project budget neither reflects the real needs nor the totality of projects that are ready to move should funding become available.

1.14 **International posts:**

An additional provision of $ 1.2 million has been included under the regular budget to cover the cost of four additional posts (one D-1, one P-5, one P-3 and one GS) required to cope with increased needs and challenges, and to rectify a situation where two demanding functions have been amalgamated in one post or assigned to one incumbent on cost containment considerations. The cost of these additional posts was not included in the Secretary-General's budget submission under Section 26 because of the limitations imposed by Programme Planning and Budget Division (PPBD) on additional staffing proposals.

EXTERNAL FACTORS AFFECTING UNRWA's OPERATIONS

1.15 A number of scenarios for the work of UNRWA has arisen due to the current situation in the Middle East. Should conflict persist, military operations, security issues, deteriorating economic conditions for the refugees and the restrictions on the flow of goods, services and individuals will continue to affect UNRWA's work. Should peace talks progress, the Agency may be authorised to begin phasing out certain activities and may be asked to assume new temporary tasks as required by a peace settlement.

1.16 UNRWA operates in a turbulent region buffeted by the Arab-Israeli conflict and its consequences in terms of episodes of violence and a worsening socio-economic situation. Emergency situations, especially in the Gaza Strip and the West Bank, impose heavy operational and financial burdens on the Agency, threatening the sustainability and quality of UNRWA services and necessitating emergency appeals, which may compete with fundraising for the regular budget.

1.17 The current conflict in the Gaza Strip and the West Bank also has disrupted the Agency's ability to deliver its services, has adversely affected the safety and security of UNRWA staff and has resulted in significant additional expenditure to counteract obstacles imposed by the Israeli authorities.

1.18 Obstacles to UNRWA operations include the imposition of border closures and restrictions on humanitarian access in the West Bank and the Gaza Strip, where some 45% of the Agency's regular budget is spent, and the imposition of charges at Israeli ports for goods destined for the West Bank and the Gaza Strip create additional economic costs for the Agency and hamper its operations.

1.19 UNRWA's budget, funded entirely by voluntary contributions (cash and in-kind), is subject to uncertainties in the timing and value of funding receipts. This limits the ability of the Agency to plan and implement programmes and project activities.

1.20 Although UNRWA's expenditure is incurred mainly in US dollars, 55% of the income is received in non-US dollar currencies, thus exposing the Agency to the risks of currency fluctuations.

1.21 Support for the Agency and increased co-ordination among the Agency and host authorities, other UN agencies, NGOs and the refugees themselves, contribute to the effective delivery of services by UNRWA.

1.22 Introduction of new courses such as English language and Information Technology into school curricula, change of textbooks and introduction of expensive vaccines into the national immunisation programmes place an additional burden on UNRWA's scarce resources that must accommodate these unplanned activities. In addition, sudden decrees promulgated by host

authorities for increases in the cost of services such as medical care, port charges or the cost of supplies such as fuel and utilities, result in additional unforeseen expenditure.

1.23 Worsening socio-economic conditions and increased rates of unemployment in the Agency's areas of operation result in larger numbers of school drop outs and increase demand on medical care services, compromising community participation and causing a breakdown in cost-sharing systems.

1.24 Insufficient project funding for school construction and upgrading of camp infrastructure contributes to overcrowded schoolrooms, poor environmental health conditions and dilapidation of refugee shelters. All call for substantial capital investment.

FINANCIAL SITUATION FOR 2002

1.25 The financial results for the fiscal year 2002 (see Table 1) clearly illustrate the funding shortfalls experienced by the Agency in its efforts to implement its mandate of the provision of basic services to Palestinian refugees. The funding gap for the regular budget amounted to $13.4 million and the project budget experienced a shortfall of $33.4 million. The funding gap for the regular budget would have been $28.5 million if the exchange rate gains and the interest income were excluded from the total income. The emergency appeal, which was launched in an effort to alleviate the crisis created as a result of the intifada, was underfunded by $78.8 million. The overall impact of the underfunding for 2002 meant that the Agency was unable to implement crucial activities amounting to $125.6 million.

Table 1: Funding Status of the Agency's Budget for 2002

(In Thousands of United States Dollars)

	Regular Budget	Projects	Emergency Appeal
Budget	**304,258**	**53,040**	**172,826**
Contributions Income[1]	**275,791**	**19,602**	**94,072**
Funding Gap	**(28,467)**	**(33,438)**	**(78,754)**
Partially funded by other income[2]	**15,020**		
Net funding gap for the year	**(13,447)**		

[1] Includes $4.9 million not received for the regular budget by 31 December 2002.

[2] Other income consists of $ 13 million exchange rate gains and $ 2 million interest income.

FINANCIAL OUTLOOK FOR 2003

1.26 Current projections of income and expenditure for 2003, shown in Table 2 below, indicate a funding gap of $ 24.3 million when comparing the net budgeted expenditure of $ 315.1 million with total expected income of $ 290.8 million (based on 2002 total income including exchange rate gains and interest income). Therefore, unless further contributions are forthcoming, the Agency will not be in a position to fully implement its General Assembly approved budget.

Table 2: Regular Budget Income & Expenditure - 2003

(In Thousands of United States Dollars)

	January - December
Expected Income (based on 2002 income level)	290,811
GA Approved Budget	(315,088)
Funding Gap	**(24,277)**

CASH SITUATION

1.27 As a direct consequence of the shortfalls in funding for its activities, the Agency has been under severe pressure in terms of cash during the last years. Current forecasts show that the Agency will run out of cash before the end of the year. As indicated in Table 3 below, a shortfall of approximately $19.5 million for the regular budget is expected.

Table 3: Cash Flow Forecast for 2003

(In Thousands of United States Dollars)

	Regular Budget
Cash balance at 01.01.2003	**4,811**
Expected Receipts	**290,811**
Expected Disbursements	**(315,088)**
Projected Cash Shortfall at 31.12.2003	**(19,466)**

IMPACT OF UNDERFUNDING ON THE AGENCY'S OPERATIONS

1.28 Lack of funding forced the Agency to introduce lower salary scales in 1999 through a new set of Area Staff Rules (ASR). While this measure allowed the Agency to redeploy a proportion of its income, it created a wide range of problems associated with administering two unequal salary scales (under pre-1999 and 1999 rules) for staff members performing identical work in similar work environments. This

measure has affected staff morale and motivation, and led to a significant decrease in compensation competitiveness, resulting in increased delays in recruitment, and a decline in the quality of staff recruited by the Agency.

1.29 In an effort to reduce the disparity created by the two ASRs, the Agency ensures that each time a salary increase is granted to area (local) staff, a larger proportion of the award is allotted to those staff employed under the less advantageous 1999 ASR. Currently 31% of the Agency's area staff are employed under the 1999 ASR.

1.30 The impact of this strategy is demonstrated by the fact that in 2001 the disparity between the two salary scales was in the region of 20-40%. In 2003 this disparity was ameliorated to the extent that the new ASR salary scales are lower than the pre-1999 ASR scales by 9-38%.

1.31 The Agency's continued inability to build up a provision for termination indemnities means that it will be severely constrained financially when operations eventually wind down. The Agency however, cannot afford to reduce staff as a deficit-reduction measure not only because the current level of staffing is below acceptable standards but also because of the short-term financial implications of paying termination indemnities.

1.32 Table 4 below provides illustrations of the impact of chronic underfunding on the Agency's programmes.

Table 4: Indicators of the Impact of Underfunding on the Agency's Operations

	1990	2002
Donor Funding of General Fund Budget	102%	88%
Percentage of area staff under 1999 Area Staff Rules*	NIL	31%
Expenditure per refugee	$99	$73
Average expenditure per refugee - Health programme	$20	$13
Percentage eligible refugees receiving minimal food supplements	7%	5%
Cash disbursement to eligible Special Hardship Case refugee families.	$64	$9
Average expenditure per refugee - Relief & Social Services	$11	$7
Doctors per 10,000 population	0.8	0.85
Sanitation labourers per camp population	1 per 1,000	1 per 1,500

* Staff hired under the 1999 ASR receive less advantageous conditions of service than those recruited under the pre-1999 ASR.

ORGANISATIONAL CHART

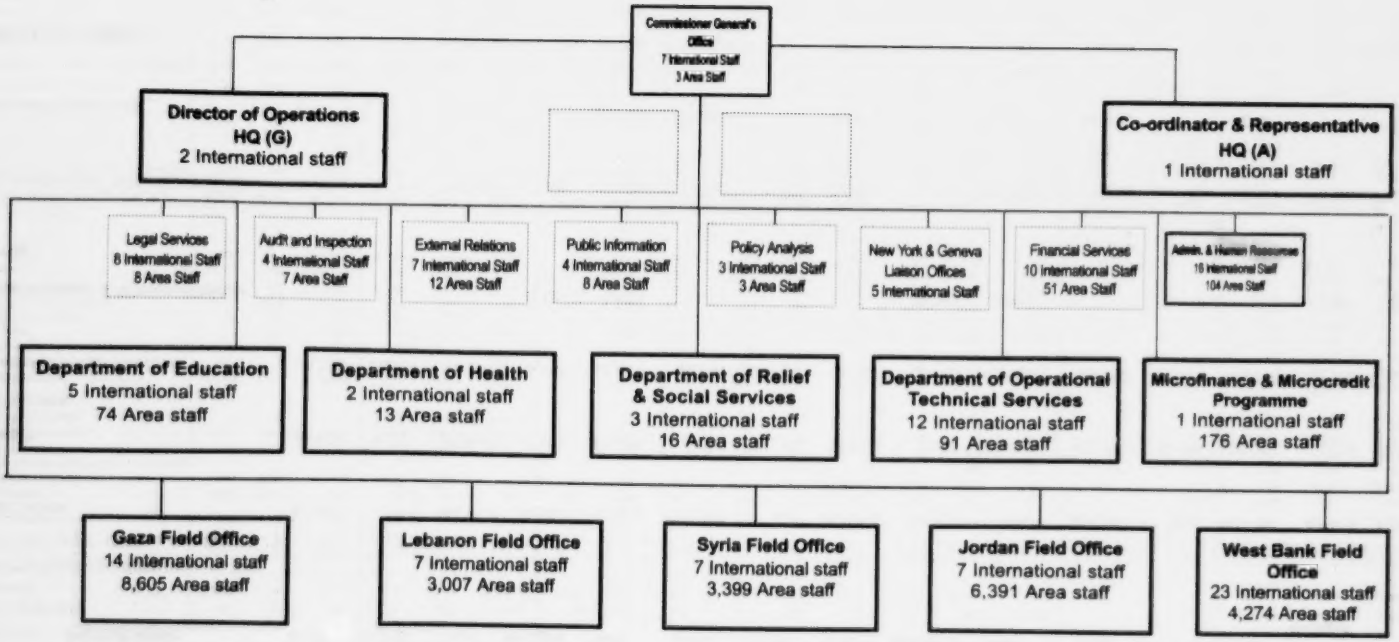


TABLE 5: SUMMARY OF 2004-2005 TOTAL BUDGET VOLUME

(In Thousands of United States Dollars)

PROGRAMME	2004 Fiscal Year					2005 Fiscal Year					2004-2005 Biennium				
	Regular Budget			Project		Regular Budget			Project		Regular Budget			Project	
	Cash	*In-Kind*	*Total*	**Budget**	**Total**	*Cash*	*In-Kind*	*Total*	**Budget**	**Total**	*Cash*	*In-Kind*	*Total*	**Budget**	**Total**
Education	187,902	617	188,519	22,054	210,573	193,975	636	194,611	20,415	215,026	381,877	1,253	383,130	42,469	425,599
Health	56,476	5,361	61,837	6,621	68,458	59,387	5,593	64,980	6,405	71,385	115,863	10,954	126,817	13,026	139,843
Relief & Social Services*	19,726	14,631	34,357	9,460	43,817	20,067	15,440	35,507	13,460	48,967	39,793	30,071	69,864	22,920	92,784
Microfinance & Microenterprise Prog.*	-	-	-	6,821	6,821	-	-	-	6,855	6,855	-	-	-	13,676	13,676
Operational & Technical Services	22,903	29	22,932	990	23,922	22,352	30	22,382	-	22,382	45,255	59	45,314	990	46,304
Common Services	31,320	-	31,320	-	31,320	31,471	-	31,471	-	31,471	62,791	-	62,791	-	62,791
Other Requirements	12,000	-	12,000	-	12,000	12,000	-	12,000	-	12,000	24,000	-	24,000	-	24,000
Total	**330,327**	**20,638**	**350,965**	**45,946**	**396,911**	**339,252**	**21,699**	**360,951**	**47,135**	**408,086**	**669,579**	**42,337**	**711,916**	**93,081**	**804,997**

** Includes $ 3.1 million each year under project budget funded from Microfinance & Microcredit Programme (MMP) and Micro-Credit Savings Programme (MSP) income.*

TABLE 6: 2004-2005 REGULAR BUDGET BY PROGRAMME AND FIELD

(Cash and In-Kind, in Thousands of United States Dollars)

	JORDAN			LEBANON			SYRIAN ARAB REPUBLIC			WEST BANK			GAZA STRIP			HEADQUARTERS			TOTAL		
	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005
EDUCATION PROGRAMME																					
General Education																					
Elementary Education	28,510	29,023	57,533	12,092	12,230	24,322	7,695	8,042	15,737	15,570	16,324	31,894	35,354	36,893	72,247	-	-	-	99,221	102,512	201,734
Preparatory Education	17,665	18,001	35,666	9,199	10,023	19,222	5,758	5,502	11,258	8,051	8,490	16,541	24,299	25,453	49,752	-	-	-	64,970	67,469	132,439
Secondary Education (Lebanon)	-	-	-	1,848	1,912	3,760	-	-	-	-	-	-	-	-	-	-	-	-	1,848	1,912	3,760
Sub-Total General Education	**46,175**	**47,024**	**93,199**	**23,139**	**24,165**	**47,304**	**13,451**	**13,544**	**26,995**	**23,621**	**24,814**	**48,435**	**59,653**	**62,346**	**121,999**	**-**	**-**	**-**	**166,039**	**171,893**	**337,933**
Technical & Vocational Education & Training	**3,295**	**3,189**	**6,384**	**2,230**	**2,256**	**4,486**	**1,161**	**1,182**	**2,343**	**5,002**	**5,123**	**10,215**	**2,352**	**2,269**	**4,522**	**-**	**-**	**-**	**13,959**	**14,019**	**27,969**
Teacher Education - Pre-Service	**266**	**264**	**530**	**124**	**126**	**250**	**-**	**-**	**-**	**634**	**636**	**1,269**	**-**	**-**	**-**	**-**	**-**	**-**	**1,014**	**1,026**	**2,040**
Planning & Management																					
In-Service Teacher Education	160	148	308	471	499	970	137	117	254	76	77	153	124	127	251	-	-	-	968	968	1,936
Placement & Career Guidance	-	-	-	1	1	2	-	-	-	20	20	40	15	15	30	43	44	87	79	80	159
Programme Management	1,121	1,147	2,268	480	471	951	453	467	920	850	869	1,719	1,507	1,569	3,076	2,059	2,109	4,168	6,470	6,632	13,102
Sub-Total Education Planning & Manag	**1,281**	**1,295**	**2,576**	**952**	**971**	**1,923**	**590**	**584**	**1,174**	**946**	**966**	**1,912**	**1,646**	**1,711**	**3,357**	**2,102**	**2,153**	**4,255**	**7,517**	**7,680**	**15,197**
TOTAL EDUCATION PROGRAMME	**50,827**	**51,772**	**102,689**	**26,445**	**27,518**	**53,963**	**15,202**	**15,310**	**30,512**	**30,283**	**31,539**	**61,822**	**63,551**	**66,317**	**129,878**	**2,102**	**2,153**	**4,255**	**188,529**	**194,699**	**383,139**
HEALTH PROGRAMME																					
Medical Care Services																					
Laboratory Services	493	529	1,022	368	359	727	271	256	527	415	416	831	604	624	1,228	-	-	-	2,141	2,194	4,335
Outpatient Services	5,411	5,697	11,108	3,706	3,795	7,501	2,221	2,287	4,508	3,549	3,662	7,211	6,290	6,525	12,815	-	-	-	21,177	21,966	43,142
Maternal & Child Health	532	559	1,091	346	354	700	123	131	254	391	395	786	1,321	1,349	2,670	-	-	-	2,713	2,788	5,501
Disease Prevention & Control	1,022	1,039	2,061	884	919	1,803	610	625	1,235	541	564	1,105	1,798	1,910	3,709	-	-	-	4,856	5,057	9,912
Physical Rehabilitation	130	130	260	37	37	74	85	85	170	278	281	559	270	273	543	-	-	-	800	806	1,606
Oral Health	582	601	1,183	519	518	1,037	221	235	456	368	362	730	429	428	857	-	-	-	2,099	2,144	4,243
School Health	124	127	251	-	-	-	16	17	33	74	75	149	281	293	574	-	-	-	495	512	1,007
Hospital Services	800	800	1,600	4,588	4,588	9,176	1,083	1,083	2,126	4,264	4,264	8,528	1,380	1,380	2,760	-	-	-	12,105	12,105	24,209
Sub-Total Medical Care Services	**9,074**	**9,482**	**18,556**	**10,436**	**10,589**	**21,018**	**4,610**	**4,689**	**9,300**	**9,880**	**10,019**	**19,899**	**12,384**	**12,782**	**25,176**	**-**	**-**	**-**	**46,386**	**47,572**	**93,958**
Environmental Health																					
Sewerage & Drainage	18	18	36	35	35	70	4	4	8	66	66	132	5	5	10	-	-	-	128	128	256
Solid Waste Management	1,822	1,821	3,643	1,874	1,940	3,814	527	540	1,067	1,550	1,576	3,126	2,048	3,423	5,471	-	-	-	7,821	9,300	17,121
Water Supply	5	5	10	222	292	514	10	10	20	166	161	327	226	255	483	-	-	-	631	723	1,354
Special Environmental Health Programme (G	-	-	-	-	-	-	-	-	-	-	-	-	274	443	717	-	-	-	274	443	717
Sub-Total Environmental Health	**1,845**	**1,844**	**3,689**	**2,131**	**2,267**	**4,398**	**541**	**554**	**1,095**	**1,782**	**1,803**	**3,585**	**2,553**	**4,126**	**6,681**	**-**	**-**	**-**	**8,854**	**10,594**	**19,448**
Food & Nutrition	**1,570**	**1,126**	**2,196**	**288**	**281**	**569**	**438**	**468**	**906**	**449**	**472**	**921**	**1,307**	**1,366**	**2,673**	**-**	**-**	**-**	**3,422**	**3,686**	**7,027**
Programme Management	**462**	**446**	**908**	**548**	**599**	**1,166**	**259**	**248**	**507**	**598**	**594**	**1,184**	**488**	**487**	**977**	**558**	**863**	**1,713**	**3,177**	**3,218**	**6,367**
TOTAL HEALTH PROGRAMME	**12,441**	**12,898**	**25,339**	**13,375**	**13,686**	**27,063**	**5,848**	**5,961**	**11,809**	**12,689**	**12,899**	**25,588**	**16,626**	**18,661**	**35,307**	**558**	**863**	**1,713**	**61,837**	**64,988**	**126,917**
RELIEF & SOCIAL SERVICES PROGRAMME																					
Relief Services	**5,294**	**5,940**	**10,834**	**5,919**	**6,154**	**12,073**	**3,275**	**3,392**	**6,667**	**3,991**	**4,079**	**7,971**	**10,294**	**10,674**	**20,968**	**19**	**19**	**38**	**28,792**	**29,940**	**58,599**
Eligibility & Registration	**267**	**259**	**526**	**248**	**250**	**498**	**93**	**82**	**175**	**346**	**251**	**497**	**307**	**391**	**698**	**-**	**-**	**-**	**1,349**	**1,232**	**2,481**
Social Services																					
Community Development Programme	118	110	228	66	63	129	127	125	252	119	119	238	260	263	523	-	-	-	690	680	1,370
Women's Programme	139	139	278	100	102	202	54	58	112	200	202	402	62	62	124	-	-	-	555	563	1,118
Disability Programme	122	123	245	173	179	352	37	42	79	197	198	395	490	494	984	-	-	-	1,019	1,036	2,055
Children & Youth Programme	-	-	-	20	21	41	-	-	-	66	67	133	1	1	2	-	-	-	87	89	176
Micro-Credit & Savings Programme	200	200	400	167	169	376	36	36	76	111	112	223	60	60	120	-	-	-	596	599	1,195
Sub-Total Social Services	**579**	**572**	**1,151**	**546**	**554**	**1,100**	**256**	**263**	**519**	**693**	**698**	**1,391**	**873**	**880**	**1,753**	**-**	**-**	**-**	**2,947**	**2,967**	**5,914**
Programme Management	**143**	**137**	**280**	**221**	**235**	**448**	**88**	**78**	**166**	**173**	**176**	**349**	**249**	**243**	**492**	**531**	**605**	**1,136**	**1,405**	**1,491**	**2,919**
TOTAL RELIEF & SOCIAL SERVICES	**6,283**	**6,507**	**12,790**	**6,932**	**7,183**	**14,116**	**3,714**	**3,813**	**7,526**	**5,013**	**5,195**	**10,208**	**11,664**	**12,188**	**23,852**	**550**	**624**	**1,174**	**34,357**	**35,597**	**69,954**

	JORDAN			LEBANON			SYRIAN ARAB REPUBLIC			WEST BANK			GAZA STRIP			HEADQUARTERS			TOTAL		
	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005	2004	2005	2004-2005
OPERATIONAL & TECHNICAL SERVICES																					
Procurement &Logistics Services	1,632	1,640	3,272	2,208	2,255	4,463	1,171	1,115	2,286	2,476	2,594	5,070	3,478	3,632	7,110	4,330	3,903	8,242	15,304	15,139	30,444
Engineering & Minor Construction Services	417	429	846	426	425	851	294	277	571	635	631	1,266	1,353	1,329	2,682	543	528	1,071	3,668	3,619	7,287
Information & Communications Technology Servi	129	119	248	132	127	259	99	71	170	152	156	307	226	241	467	2,912	2,997	5,909	3,650	3,310	6,960
Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	310	313	623	310	313	623
TOTAL OPERATIONAL SERVICES	2,178	2,188	4,366	2,766	2,807	5,573	1,564	1,463	3,027	3,263	3,380	6,643	5,057	5,202	10,259	8,104	7,341	15,445	22,932	22,382	45,314
COMMON SERVICES																					
Commissioner-General's Office	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,940	1,980	3,920	1,940	1,980	3,920
Legal Services	24	24	48	92	92	184	8	8	16	10	10	20	-	-	-	1,234	1,264	2,498	1,368	1,398	2,766
Audit and Inspection	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,083	1,104	2,187	1,083	1,104	2,187
External Relations	-	-	-	-	-	-	-	-	-	438	450	888	-	-	-	923	927	1,850	1,361	1,377	2,738
Public Information	62	63	125	63	61	124	29	29	58	50	53	103	91	84	175	684	680	1,374	980	970	1,950
Policy Analysis	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	550	556	1,106	550	556	1,106
New York & Geneva Liaison Offices	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	684	695	1,379	684	695	1,379
Administration and Human Resources	2,253	2,274	4,527	2,648	2,683	5,331	1,457	1,424	2,881	3,470	3,496	6,966	3,583	3,617	7,200	4,974	4,938	9,912	18,385	18,432	36,817
Financial Services	397	406	803	505	518	1,023	291	288	579	460	468	928	456	463	909	2,851	2,826	5,677	4,960	4,959	9,919
Other Requirements																					
Working Capital Build-Up	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,000	3,000	10,000	7,000	3,000	10,000
Salary Increase Requirements																4,000	8,000	12,000	4,000	8,000	12,000
Contingency Requirements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,000	1,000	2,000	1,000	1,000	2,000
Sub-Total Other Requirements	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**12,000**	**12,000**	**24,000**	**12,000**	**12,000**	**24,000**
TOTAL COMMON SERVICES	2,736	2,767	5,503	3,308	3,354	6,662	1,785	1,749	3,534	4,428	4,477	8,905	4,130	4,154	8,284	26,933	26,970	53,903	43,320	43,471	86,791
GRAND TOTAL REGULAR BUDGET	**74,586**	**76,132**	**150,718**	**52,825**	**54,551**	**107,376**	**28,115**	**28,295**	**56,410**	**55,686**	**57,481**	**113,167**	**101,178**	**106,540**	**207,718**	**38,598**	**37,540**	**76,147**	**350,988**	**360,948**	**711,936**

TABLE 7: AGENCY-WIDE EXPENDITURES BY CATEGORY

(Cash and In-Kind, In Thousands of United States Dollars)

		2000-2001 Expenditure	2002-2003 Appropriation	2004-2005 Estimate
Staff	International Staff	25,215	29,462	38,170
	Area Staff	399,252	440,292	469,678
	Sub-Total	**424,467**	**469,754**	**507,848**
Services	Travel	1,781	2,250	2,386
	Communication	2,127	2,477	3,181
	Transport Services	569	1,044	1,087
	Port Operation	675	1,031	1,695
	Training	455	1,979	2,012
	Maintenance of Equipment & Furniture	972	1,478	1,649
	Miscellaneous Services	5,590	7,513	7,855
	Consultancy Services	582	1,203	1,114
	Hospital Services	12,667	16,469	18,314
	Sub-Total	**25,418**	**35,444**	**39,294**
Supplies	Medical Supplies	14,112	19,309	22,189
	Transportation Supplies	1,645	2,730	3,360
	Clothing Supplies	395	589	568
	Textbooks & Library Books	9,691	11,112	12,239
	Sport Supplies	196	256	256
	Fresh Food	1,034	1,275	1,189
	Miscellaneous Supplies	6,799	7,213	7,371
	Teaching Supplies	87	195	198
	Basic Commodities	35,102	40,853	37,439
	Sub-Total	**69,061**	**83,532**	**84,809**
Equipment & Minor Construction	Computer Hard/Software	1,636	2,083	5,662
	Equipment & Furniture	2,781	3,319	3,864
	Transport Equipment	774	2,978	3,076
	Minor Construction	769	690	878
	Sub-Total	**5,960**	**9,071**	**13,480**

Premises	Rental of Premises	2,564	2,655	2,522
	Utilities	3,392	3,775	4,386
	Maintenance	5,594	6,343	6,073
	Sub-Total	**11,550**	**12,773**	**12,981**
Subsidies	Patient Subsidies	2,666	2,784	4,748
	Other Subsidies	18,868	21,237	23,429
	Sub-Total	**21,534**	**24,021**	**28,177**
Reserves	Operational Reserve	-	1,175	1,327
	Sub-Total	**-**	**1,175**	**1,327**
Total		**557,990**	**635,770**	**687,916**
Other	Other Requirements	-	31,000	24,000
	Residual Effect of emergency	-	8,059	-
	Sub-Total	**-**	**39,059**	**24,000**
Total Regular Budget		**557,990**	**674,829**	**711,916**
Total Project Budget		**101,712**	**116,909**	**93,081**

NEGATIVE GROWTH

Table 8: SIGNIFICANT WORKLOAD INDICATORS RELATING TO RESOURCE REQUIREMENTS

Indicator	1996-1997 Actual	1998-1999 Actual	2000-2001 Actual	2002-2003 Estimate	2004-2005 Estimate	% growth 2004-2005 over 2002-2003
Area staff posts	21,553	22,212	23,151	24,503	26,242	7.1
Pupils	447,268	458,716	486,026	500,973	518,321	3.5
Teacher posts	12,952	13,667	14,615	15,735	16,416	4.3
Patient visits	7,198,288	7,163,056	7,784,357	8,900,000	9,000,000	1.1
Special hardship cases	176,739	191,529	206,601	223,725	239,660	7.1
Registered refugees	3,469,109	3,625,592	3,926,787	4,166,593	4,463,359	7.1

1.33 UNRWA's clientele population, and consequently the overall demand on the Agency's services, are expected to grow by 3.5% annually. At the same time the annual weighted average rate of inflation in the Agency's area of operations is calculated at 4%. The combined effect of these two factors warrants a budget growth of 7.5% annually.

1.34 Table 9 below shows that the regular budget estimates for the biennium 2004-2005 reflect an overall nominal growth of 5.5% (i.e. 2.75% per annum) over the 2002-2003 regular budget appropriations. Therefore, in real terms, this budget has a negative growth of 4.75% per annum (7.50% - 2.75%) with the concomitant negative impact on the Agency's ability to implement its programmes and provide services to the refugees. The 2002-2003 regular budget demonstrated an annual negative growth of 3%.

1.35 The 4.75% negative real annual budgetary growth, a result of donor support not being commensurate with the actual needs of a growing refugee population, is impacting adversely on the Agency's clientele. The negative budget growth of 6% in the biennium 2002-2003, followed by further shrinkage in real terms in the 2004-2005 biennium budget of 9.5%, results in a combined contraction in real terms of 15.5% over the four years.

1.36 With the 2004-2005 regular budget, Agency programmes - already struggling to maintain standards in the face of persistent budget deficits – are at risk of a further decline in the quality of education, health, relief, and social services. Overcrowding and double shifting in Agency schools, excessive workloads at Agency clinics, a reduction in essential food assistance for the poorest refugee families, and loss of skilled area staff owing to non-competitive salaries, are some of the clear signs that chronic funding shortfalls are undermining the foundation of UNRWA's services. A vivid illustration of this is the drop in the Agency's expenditure per refugee, from approximately $ 200 in the 1970s to $ 73 in 2002.

1.37 The proposed regular budget for the biennium 2004-2005 reflects at best the bare minimum funding requirements to sustain essential services at the current level and to cater for additional funding requirements. These additional funding requirements result from integration of new programmes introduced by the host authorities such as Information Technology courses in the General Education Programme, as well as the accommodation of additional requirements resulting from natural growth into the regular budget. Because of this negative budgetary growth, the Agency will, in reality, be striving to maintain its core programme activities at a lower level of resources than would have been justified under a needs-based budget, should the Agency receive full funding of its actual requirements.

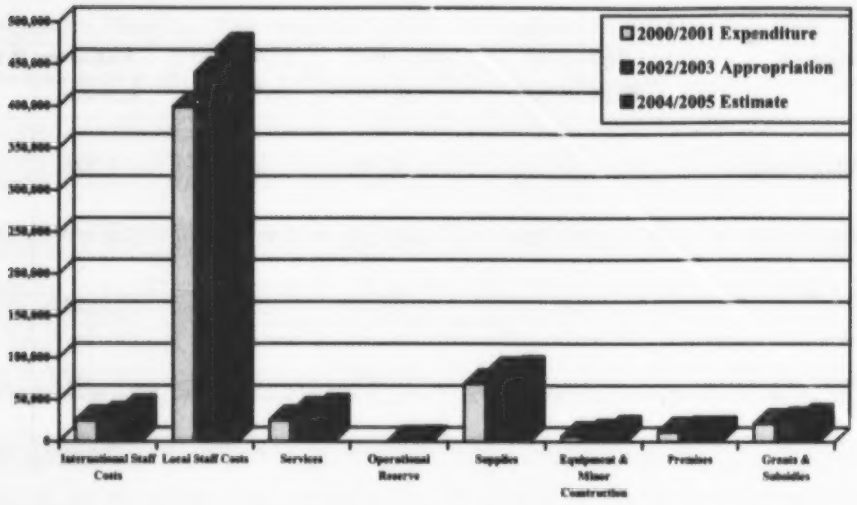
TABLE 9: SUMMARY OF REGULAR BUDGET REQUIREMENTS BY CATEGORY OF EXPENDITURE

(In Thousands of United States Dollars)

Category	*2000-2001 Expenditure*	*2002-2003 Appropriation*	*2004-2005 Estimate*	*Resource Growth*	
				Amount	*%*
International Staff Costs	25,215	29,462	38,170	8,708	29.6
Area Staff Costs	399,252	440,292	469,678	29,386	6.7
Services	25,418	35,444	39,294	3,850	10.9
Operational Reserves	-	1,175	1,327	152	12.9
Supplies	69,061	83,532	84,809	1,277	1.5
Equipment & Minor Construction	5,960	9,071	13,480	4,409	48.6
Premises	11,550	12,773	12,981	208	1.6
Grants & Subsidies	21,534	24,021	28,177	4,156	17.3
Sub-Total	*557,990*	*635,770*	*687,916*	52,146	8.2
Working Capital Requirements	-	14,000	10,000	(4,000)	(28.6)
Salary Increase Requirements	-	15,000	12,000	(3,000)	(20.0)
Contingency Requirements	-	2,000	2,000	-	-
Residual Effect of Emergency	-	8,059	-	(8,059)	(100.0)
Sub-Total	-	*39,059*	*24,000*	(15,059)	(38.6)
Total Resource Requirements	*557,990*	*674,829*	*711,916*	37,087	5.5

FIGURE 1: SUMMARY OF REGULAR BUDGET REQUIREMENTS BY CATEGORY OF EXPENDITURE

(In Thousands of United States Dollars)



SOURCES OF FUNDING

1.38 UNRWA is funded through a variety of sources. The ability of the Agency to provide its regular services to a clientele population that grows at approximately 3.5% per annum is entirely dependent on sufficient voluntary funding being made available to it annually. The Agency is also dependent on additional funding being made available to it to carry out its project budget and emergency operations. Figures 2 and 3 show the expected sources of funding for each year of the Agency's total budget volume for the years 2004 and 2005 respectively, including both the regular and project budgets.

FIGURE 2: FUNDING OF TOTAL BUDGET VOLUME - 2004

(Cash and In-Kind, in Thousands of United States Dollars)

Voluntary Cash Contribution to the GF	310,150
Voluntary Cash Contribution to the Projects	42,812
Voluntary In-Kind Contributions	19,736
United Nations Regular Budget	16,953
Other	7,260
Total	**396,911**

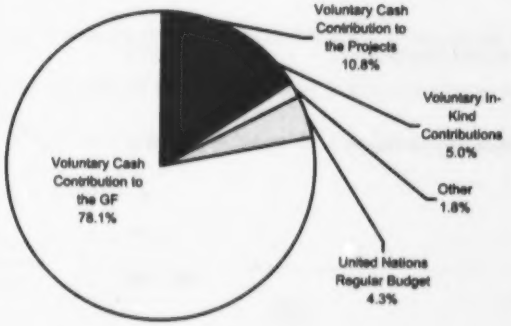
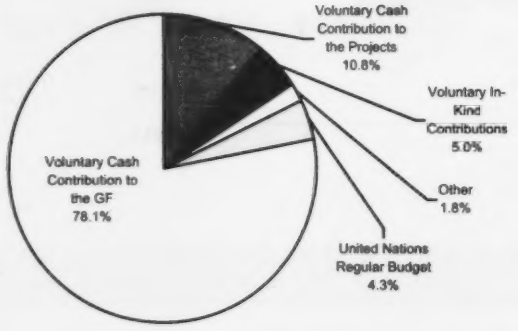

Voluntary Cash Contribution to the Projects 10.8%
Voluntary In-Kind Contributions 5.0%
Other 1.8%
United Nations Regular Budget 4.3%
Voluntary Cash Contribution to the GF 78.1%

FIGURE 3: FUNDING OF TOTAL BUDGET VOLUME - 2005

(Cash and In-Kind, in Thousands of United States Dollars)

Voluntary Cash Contribution to the GF	318,609
Voluntary Cash Contribution to the Projects	44,079
Voluntary In-Kind Contributions	20,773
United Nations Regular Budget	17,416
Other	7,209
Total	**408,086**


Voluntary Cash Contribution to the Projects 10.8%
Voluntary In-Kind Contributions 5.0%
Other 1.8%
United Nations Regular Budget 4.3%
Voluntary Cash Contribution to the GF 78.1%

1.39 As UNRWA does not have a system of assessed contributions, its budget is funded almost entirely by voluntary cash and in-kind contributions from governments, inter-governmental and non-governmental bodies.

1.40 Voluntary contributions are expected to cover about 93.9% of total budget volume for 2004-2005, of which 78.1% are cash contributions to the GF, 10.8% cash contributions to projects, and about 5.0% are in-kind contributions.

1.41 The funding of 105 international posts out of the United Nations regular budget accounts for about 4.3% each year of total budget volume. The remaining 1.8% of expected income is from the following sources:

(i) Other income includes interest income, programme support costs and miscellaneous income in the range of $ 3.0 million per annum;

(ii) Income of $ 3.1 million annually for MMP and MSP from credit activities covers the programmes' recurrent costs making them self-funding;

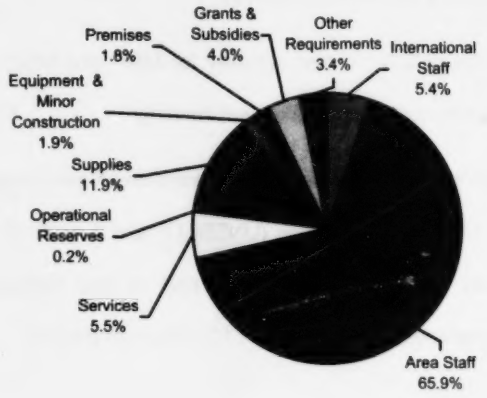
(iii) Funding of 7 staff posts (2 international and 5 area posts) by the United Nations Educational, Scientific and Cultural Organization (UNESCO) and 4 posts (2 international and 2 area posts) by the World Health Organization (WHO) as part of their technical assistance to the Education and Health programmes, respectively ($ 1.13 million per annum).

DISTRIBUTION BY EXPENDITURE TYPE

FIGURE 4: 2004-2005 REGULAR BUDGET BY CATEGORY

(Cash and In-Kind, in Thousands of United States Dollars)

International Staff	38,170
Area Staff	469,678
Services	39,294
Operational Reserves	1,327
Supplies	84,809
Equipment & Minor Construction	13,480
Premises	12,981
Grants & Subsidies	28,177
Other Requirements	24,000
Total	**711,916**



1.42 Figure 4 shows the 2004-2005 regular budget broken down into categories of expenditure. Staff costs account for 71.3% of the regular budget, of which 65.9% represents the cost of area staff and 5.4% represents the cost of international staff. Supplies account for 11.9%, 44.1% of which are donated to the Agency in kind, and services account for 5.5%. All other categories account for less than 5% each. Table 9 shows the resource growth in each category of expenditure. This is explained below:

1.43 **International Staff:** all costs associated with international staff. Resource growth of $ 8.7 million (29.6%) over 2002-2003 appropriations is attributed to increase in budget standard costs for the international staffing table and establishment of an additional P5 post funded by WHO and the proposed establishment of additional posts (one D-1, one P-5, one P-3 and one GS).

1.44 **Area Staff**: all costs associated with area staff, including hiring of staff on temporary assistance or other contractual basis. The resource growth of $ 29.4 million (6.7%) over 2002-2003 appropriations is attributable to the following reasons:

(i) Increase of $ 17.0 million in respect of 1,739 additional area staff posts to partially meet natural growth requirements as explained above;

(ii) Increase of $ 8.9 million for the annual increment costs;

(iii) Increase of $ 2.6 million for salary increases granted in 2002-2003 and other staff allowances;

(iv) Increase of $ 0.9 million for additional casual sanitation workers.

1.45 **Services**: services bought by the Agency in the course of its operations, including hospital services, port services, customs clearance, hired transport, mail/phone services, travel, staff training, etc. The resource growth of $ 3.8 million (10.9%) over 2002-2003 appropriations is attributable to the following:

(i) Increase of $ 1.9 million in hospital services (Lebanon $ 1.6 million, West Bank $ 0.1 million, Syrian Arab Republic $ 0.6 million, less the reallocation of $ 0.4 million in Jordan to patient subsidies);

(ii) Increase of $ 0.7 million in communication services due to expanding Satellite Wide Area Network (SWAN) services;

(iii) Increase in tariff charges of $ 0.6 million in port services;

(iv) Increase of $ 0.4 million in other services;

(v) Increase of $ 0.2 million in miscellaneous services, namely in insurance for vehicles.

1.46 **Operational Reserves**: provisions to meet expenditure at the Field level which could not have been foreseen at the time of budget preparation. These are considered part of the direct programme costs. The resource growth of $ 0.1 million (12.9%) is due to an increase in education reserves.

1.47 **Supplies**: supplies purchased by the Agency and received in kind, including food ration commodities, medical supplies, textbooks, fuel, spare parts and office supplies. The resource growth of $ 1.3 million (1.5%) over 2002-2003 allocations is due to the following:

(i) Decrease of $ 3.4 million in basic commodities received in-kind due to a change in commodities to be distributed to special hardship cases and resultant reduction in budget standard prices;

(ii) Increase of $ 2.9 million in the cost of medical supplies due to increased prices and a projected increase in the number of patient visits;

(iii) Increase of $ 1.1 million in the cost of textbooks due to introduction of new curricula by the host authorities and an increase in school population;

(iv) Increase of $ 0.7 million in transport supplies due to increase in fuel prices.

1.48 **Equipment and Minor Construction**: all equipment including computer hardware and software, furniture, and vehicles, as well as minor construction works. The resource growth of $ 4.4 million (48.6%) over 2002-2003 appropriations is attributable to the following:

(i) Increase of $ 3.6 million in computer hardware and software for replacement of old PCs, upgrading Agency software, and establishing computer labs in Agency schools in line with the curricula of the host authorities;

(ii) Increase of $ 0.6 million for replacement of unserviceable equipment and furniture due to be surveyed during the biennium;

(iii) Increase of $ 0.2 for minor construction works, for example, school sheds.

1.49 **Premises**: rent, maintenance, electricity and water for premises. The resource growth of $ 0.2 million (1.6%) over 2002-2003 appropriations is due to the following:

(i) Increase of $ 0.6 million in utility prices;

(ii) Decrease of $ 0.3 million in maintenance of premises due to keeping it at the 2003 budget levels;

(iii) Decrease of $ 0.1 million in rental of premises as a result of vacating rented premises and moving to newly constructed ones.

1.50 **Grants and Subsidies**: direct payments to beneficiaries as part of programme activities, including patients subsidies, support to community centres, food support cash grants, etc. The increase in resources budget of just below $ 4.1 million (17.3%) over 2002-2003 appropriation is attributable to the following:

(i) Increase of $ 2.2 million in the cash subsidy for special hardship cases;

(ii) Increase of $ 1.9 million in patient subsidies.

1.51 **Other requirements**: Agency-wide requirements not yet attributable to Fields or Programmes as follows:

(i) $ 12 million being a minimum of 2% annual salary increase for the Agency's area staff;

(ii) $ 10 million to rebuild the Agency's working capital to a minimum level of one month's cash flow requirements of $ 28 million. The working capital balance at the end of biennium 2002-2003 is $ 18 million;

(iii) $ 2 million for contingency requirements to cover unforeseen expenditure during the biennium.

DISTRIBUTION BY FIELD

TABLE 10: SUMMARY OF REGULAR BUDGET REQUIREMENTS BY FIELD

(In Thousands of United States Dollars)

Field	*2000-2001 Expenditure*	*2002-2003 Appropriation*	*2004-2005 Estimate*	*Resource Growth*	
				Amount	*%*
Gaza Strip	169,264	191,980	207,718	15,738	8.2
Lebanon	86,974	98,265	107,376	9,111	9.3
Syrian Arab Republic	41,738	53,026	56,410	3,384	6.4
Jordan	139,352	143,831	150,698	6,867	4.8
West Bank	93,811	103,361	113,167	9,806	9.5
Headquarters	26,851	45,307	52,547	7,240	16.0
Sub-Total	*557,990*	*635,770*	*687,916*	52,146	8.2
Working Capital Requirements	-	14,000	10,000	(4,000)	(28.6)
Salary Increase Requirements	-	15,000	12,000	(3,000)	(20.0)
Contingency Requirements	-	2,000	2,000	-	-
Residual Effect of Emergency	-	8,059	-	(8,059)	(100.0)
Sub-Total	-	*39,059*	*24,000*	*(15,059)*	*(38.6)*
Total Resource Requirements	*557,990*	*674,829*	*711,916*	*37,087*	*5.5*

FIGURE 5: SUMMARY OF REGULAR BUDGET REQUIREMENTS BY FIELD

(In Thousands of United States Dollars)

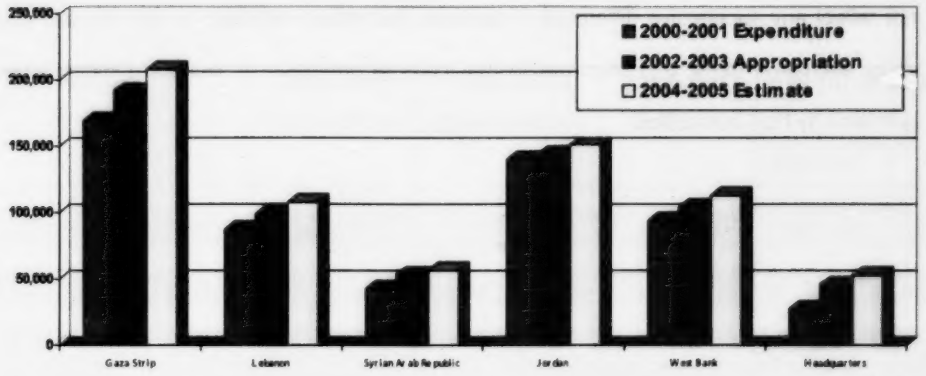
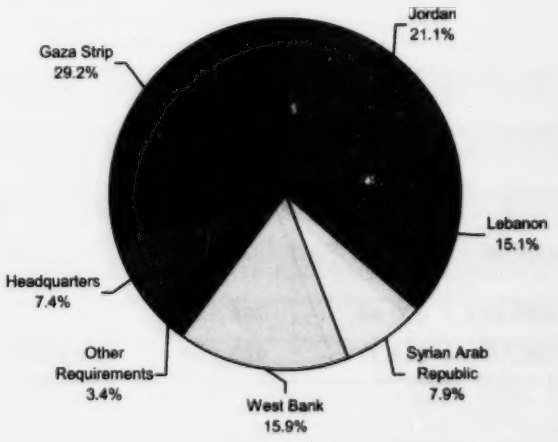


FIGURE 6: 2004-2005 REGULAR BUDGET BY FIELD

(Cash and In-Kind, in Thousands of United States Dollars)

Jordan	15	0,698
Lebanon	107	,376
Syrian Arab Republic		56,410
West Bank		113,167
Gaza Strip		207,718
Headquarters	52,	547
Other requirements		24,000
Total	**71**	**1,916**



1.52 Figure 6 shows the 2004-2005 regular budget by Field of operation. Direct allocations for Field operations account for 89.2% of the regular budget. Taking into account the allocation of the requirements for working capital and salary increases to Fields, the percentage rises to 92.6%. Headquarters costs represent 7.4% of expenditure. The distribution of expenditure across Fields does not reflect any substantive difference in services, but rather variations in the clientele population, US dollar exchange rates, and costs within the areas of operation as well as differing levels of service provision by host authorities.

DISTRIBUTION BY PROGRAMME

TABLE 11: SUMMARY OF REGULAR BUDGET REQUIREMENTS BY PROGRAMME

(In Thousands of United States Dollars)

Programme	*2000-2001 Expenditure*	*2002-2003 Appropriation*	*2004-2005 Estimate*	*Resource Growth*	
				Amount	*%*
Education Programme	327,800	351,321	383,130	31,809	9.1
Health Programme	99,883	119,573	126,817	7,244	6.1
Relief & Social Services Programme	56,047	68,538	69,864	1,326	1.9
Operational & Technical Services	35,872	39,435	45,314	5,879	14.9
Common Services	38,388	56,903	62,791	5,888	10.3
Sub-Total	*557,990*	*635,770*	*687,916*	52,146	8.2
Working Capital Requirements	-	14,000	10,000	(4,000)	(28.6)
Salary Increase Requirements	-	15,000	12,000	(3,000)	(20.0)
Other Requirements	-	2,000	2,000	-	-
Residual Effect of Emergency	-	8,059	-	(8,059)	(100.0)
Sub-Total	-	*39,059*	*24,000*	(15,059)	(38.6)
Total Resource Requirements	*557,990*	*674,829*	*711,916*	37,087	5.5

FIGURE 7: SUMMARY OF REGULAR BUDGET REQUIREMENTS BY PROGRAMME

(In Thousands of United States Dollars)

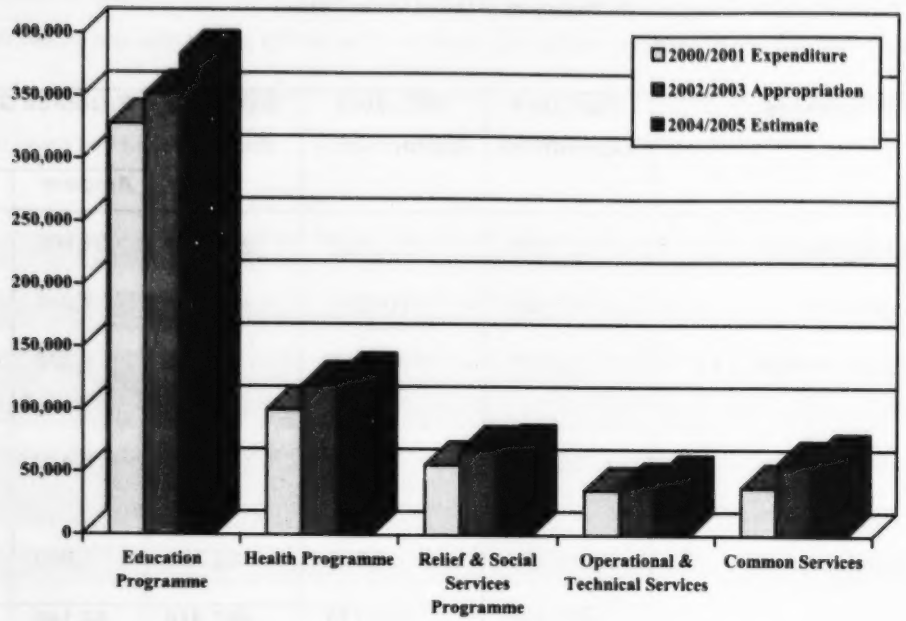
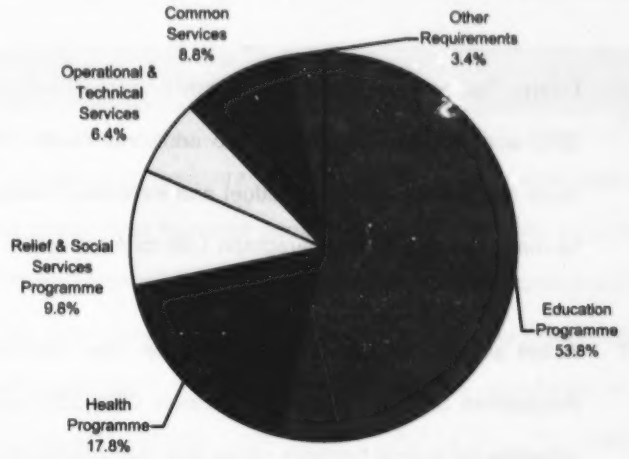


FIGURE 8: 2004-2005 REGULAR BUDGET BY PROGRAMME

(Cash and In-Kind, In Thousands of United States Dollars)

Education Programme	383,130
Health Programme	126,817
Relief & Social Services Programme	69,864
Operational & Technical Services	45,314
Common Services	62,791
Other Requirements	24,000
Total	**711,916**



1.53 Figure 8 shows the 2004-2005 regular budget by programme activity. Direct allocations to the Education Programme account for 53.8% of the regular budget, followed by the Health Programme (17.8%) and the Relief and Social Services (RSS) Programme (9.8%). The remaining portion represents support costs and items budgeted centrally, including working capital and area staff salary increase requirements.

1.54 Table 11 provides information on resource growth in the Agency's regular programmes for the biennium 2004-2005 over budget appropriations of the biennium 2002-2003. The resource growth shown in this table is summarised below. Reference should also be made to paragraphs 1.42 to 1.51 above.

1.55 **Education Programme**: The growth of $ 31.8 million in the Education Programme (9.1%) over 2002-2003 appropriations is due to additional teaching staff requirements, additional textbooks, new computer labs, replacement of dilapidated school furniture and the proposed establishment of an additional P-3 post. Reference should be made to Table 12 and paragraph 1.72 for more details about the Agency's Education Programme.

1.56 **Health Programme**: The resource growth in the Health Programme of $ 7.2 million (6.1%) over 2002-2003 appropriations is attributed to additional health staff requirements, increase in hospitalisation costs and patient subsidies budget and increased medical supplies requirements. Reference should be made to Table 13 and paragraph 1.99 for more details about the Agency's Health Programme.

1.57 **Relief and Social Services Programme**: The resource growth in the Relief and Social Services Programme of $ 1.3 million (1.9%) over 2002-2003 appropriations is due to an increase in cash subsidies for special hardship cases, and staff costs in respect of additional social workers. Reference should be made to Table 14 and paragraph 1.120 for more details about the Agency's Relief and Social Services Programme.

1.58 **Operational and Technical Services**: The resource growth of $ 5.9 million in Operational and Technical Services (14.9%) over 2002-2003 appropriations is attributable to staff costs, increasing the capacity of the SWAN both in equipment and services and increases in fuel prices, all of which affect Programme and Field operations. Reference should be made to Table 15 and paragraph 1.142 for more details about the Agency's Operational and Technical Services.

1.59 **Common Services**: The resource growth of $ 5.9 million in Common Services (10.3%) over 2002-2003 appropriations is attributed mainly to the increase in the standard budget cost of international staff and the proposed establishment of additional posts (one D-1, one P-5 and one GS). Reference

should be made to Table 16 and paragraph 1.147 for more details about the Agency's Common Services.

II. EDUCATION PROGRAMME

OVERVIEW

1.60 Education is the Agency's largest programme, measured both in terms of its relative share of the Agency's budget and staff. The programme provides general education, teacher education, and technical vocational education and training for Palestine refugee children and youth, in accordance with their needs, identity and cultural heritage. It does so within the framework of the prescribed curricula of the host authorities and in conformity with the standards of the United Nations Educational, Scientific and Cultural Organization (UNESCO). The General Education sub-programme, currently employing 15,735 teaching staff, provides general education (elementary and preparatory education in all its areas of operation and secondary education in Lebanon) for 500,973 eligible refugee children in 656 UNRWA schools. As a result of natural growth among the Palestine refugee communities the school population is expected to grow by 3.5% to some 518,321 by the end of the biennium 2004-2005 (i.e. 2005/2006 school year). The Technical and Vocational Education and Training sub-programme currently provides 5,101 vocational and technical/semi-professional training places in eight training centres (two in Jordan, three in the West Bank and one each in Lebanon, the Syrian Arab Republic and the Gaza Strip). The Teacher Education sub-programme is designed to meet the requirement of the Government of Jordan and the Palestinian Authority that teachers in the basic education cycle possess four-year first-level university degrees. The pre-service teacher training in this sub-programme leads to a four-year university degree. Through its fourth sub-programme, Placement and Career Guidance, the Agency helps Palestine refugees who graduate from its

training centres and other institutions to secure suitable jobs, whether locally or in neighbouring countries. Counselling and career guidance are also provided for Palestine refugee students to help them in selecting an appropriate vocation. The Agency will continue its efforts to improve the quality of teaching, training and staff development, and will continue to rely on UNESCO for technical expertise and support.

OBJECTIVES

1.61 To provide general education for Palestine refugee children and youth at the elementary and preparatory levels, as well as at the secondary level, on a limited basis, in Lebanon only.

1.62 To provide university-level pre-service teacher education for young Palestine refugees as well as in-service teacher education for UNRWA teachers to enable them to improve the quality of education in UNRWA schools.

1.63 To provide vocational and technical education and training for young Palestine refugees enabling them to become productive citizens and contribute to the well being of their communities.

1.64 To provide job placement assistance for the graduates of the Agency's vocational training centres and enhancing career guidance and counselling services for the Agency's preparatory and secondary school students as well as vocational and technical graduates.

STRUCTURE

1.65 The structure of the Education Programme is as follows:

a) **General Education**

Elementary and Preparatory Education

Secondary Education (Lebanon)

b) **Technical and Vocational Education and Training**

c) **Teacher Education - Pre-Service**

d) **Planning Management**

In-Service Teacher Education

Placement and Career Guidance

Programme Management

PROGRAMME ACTIVITIES

1.66 Providing basic education to 515,722 pupils in the elementary and preparatory cycles.

1.67 Providing secondary education in Lebanon Field only to 2,600 students.

1.68 Providing vocational and technical education to 5,169 trainees at eight vocational training centres.

1.69 Providing pre-service teacher education to 1,200 students in the three education science faculties in the Jordan and West Bank Fields and in the teacher training section in Lebanon.

1.70 Providing in-service teacher training to 800 teaching and supervisory staff.

1.71 Providing placement services to the graduates of training centres programmes, as well as vocational guidance to the students in both UNRWA's and host authorities' secondary schools to facilitate the recruitment of trainees to the training centres.

FINANCIAL RESOURCES

Table 12: Education Programme Resource Requirements by Category of Expenditure

(Cash and In-Kind, in Thousands of United States Dollars)

		2000-2001 Expenditure	2002-2003 Appropriation	2004-2005 Estimate	Increase/ (Decrease) 2004-2005 over 2002-2003
Staff	International Staff	572	961	1,173	
	Area Staff	300,716	320,261	347,063	
	Sub-Total	**301,288**	**321,222**	**347,977**	**27,014**
Services	Travel	284	480	468	
	Communication	80	222	115	
	Transport Services	101	35	139	
	Training	50	86	99	
	Maintenance of Equipment and Furniture		440	653	
	Miscellaneous Services	510	347	415	
	Consultancy Services	81	81	75	
	Hospital Services	-	-	1	
	Sub-Total	**1,106**	**1,691**	**1,964**	**273**
Supplies	Medical Supplies	71	226	338	
	Transportation Supplies	28	60	33	
	Clothing Supplies	257	350	338	
	Textbooks & Library Books	9,623	10,989	12,119	
	Sport Supplies	187	256	256	

	Fresh Food	956	1,168	1,103	
	Miscellaneous Supplies	**3,931**	**4,298**	**4,417**	
	Teaching Supplies	81	184	186	
	Basic Commodities	527	401	336	
	Sub-Total	**15,661**	**17,932**	**19,126**	**1,194**
Equipment &	Computer Hard/Software	276	447	2,976	
Minor	Equipment & Furniture	1,284	1,071	1575	
Construction					
	Minor Construction	277	456	330	
	Sub-Total	**1,837**	**1,974**	**4,881**	**2,907**
Premises	Rental of Premises	1,608	1,648	1,589	
	Utilities	1,851	2,077	2,492	
	Maintenance	4,322	4,600	4,471	
	Sub-Total	**7,781**	**8,325**	**8,552**	**227**
Grant & Subsidies		**127**	**77**	**101**	**24**
Other	Reserves	-	100	270	
	Sub-Total	**-**	**100**	**270**	**170**
Total Regular Budget		**327,800**	**351,321**	**383,130**	**31,809**
Total Project Budget		**22,964**	**53,298**	**42,469**	**(10,829)**

BUDGETARY COMMENTS

1.72 Table 12 above indicates a resource growth in the Education Programme of $ 31.8 million (9.1%) over 2002-2003 appropriation. This is attributable to:

(a) Increase of $ 27.0 million in staff costs due to the following:

(i) $ 12.4 million for 1,567 additional teaching posts needed to cope with the increased school population;

(ii) $ 2.3 million for 195 additional support posts, for example, school supervisors, school counsellors, school attendance;

(iii) $ 8.6 million annual salary increment costs and salary increases granted in 2002-2003 for the education programme's 17,569 staff;

(iv) $ 3.4 million resulting from incremental salary increases and other allowances;

(v) $ 0.3 million for the proposed establishment of additional P-3 post.

(b) Increase of $ 1.1 million in the cost of textbooks due to the introduction of new curricula by the host authorities and increase of school population.

(c) Increase of $ 2.9 million under equipment and minor construction to meet the cost of introducing computer labs in Agency schools and replace dilapidated school furniture.

(d) Increase of $ 0.8 million in services and utilities.

III. HEALTH PROGRAMME

OVERVIEW

1.73 The Agency's second largest programme is health. The foundation of UNRWA health care is its network of 122 primary health-care facilities. Programme activities are focused on comprehensive primary health care, comprising essential medical care services, child health care, expanded maternal health and family planning and control of communicable and non-communicable diseases supported by assistance towards secondary care. The programme also provides environmental health services in camps and food aid to vulnerable groups. UNRWA is committed to the achievement of World Health Organisation strategies and targets for the eradication of vaccine-preventable diseases including poliomyelitis, neo-natal tetanus and measles as well as control of tuberculosis and prevention of HIV/AIDS. Ongoing programmes to rehabilitate and upgrade health infrastructure at the primary level and to improve environmental health conditions in refugee camps will continue to receive high priority. Sewage disposal, management of storm-water run-off, provision of safe drinking water, collection and disposal of refuse and control of rodents and insects will continue to be provided to some 1.3 million registered refugees living in camps. Cost-efficiency measures such as cost sharing in hospitalisation expenses, which were implemented to make optimal use of the limited financial and human resources, will be maintained.

OBJECTIVES

1.74 To preserve the sustainable investment achieved in primary health care and upgrade the capacity of the health care system by rehabilitation of physical facilities and expansion of the available provision of diagnostic and treatment facilities including laboratory and dental services.

1.75 To improve the health status of the Palestine refugees by reduction of morbidity and mortality from preventable and chronic diseases, by promoting the use of modern contraceptive, surveillance of communicable/noncommunicable disease, oral health and healthy life practices, and by ensuring access of refugee patients to the medical care facilities, including essential hospital services, regular monitoring of children and women of reproductive age.

1.76 To maintain environmental health conditions in refugee camps compatible with the levels set by local municipalities and acceptable international standards set by the World Health Organisation by implementing developmental projects to improve camp infrastructure of water, sewerage and drainage and solid waste disposal facilities.

1.77 To improve the nutritional status of groups at risk, by providing nutritional aid to vulnerable population groups through in-kind contributions and to prevent micro-nutrient deficiencies by implementing affordable intervention strategies such as food fortification and iron supplementation.

1.78 To enhance the process of institutional capacity building and carry out a series of management reforms to maximise system performance, improve service quality and increase efficiency and cost-effectiveness.

1.79 To harmonize health policies and service standards with those of the host authorities to make optimal use of the scarce resources and avoid duplication, overlap and incompatible priorities.

1.80 To prevent breakdowns in service delivery, quality and sustainability under emergency situations by developing plans, as may be required, to improve preparedness and response.

STRUCTURE

1.81 The structure of the Health Programme is as follows:

(a) Medical Care Services

Laboratory Services

Outpatient Services

Maternal and Child Health

Disease Prevention and Control

Physical Rehabilitation

Oral Health

School Health

Hospital Services

(b) Environmental Health

Sewerage and Drainage

Solid Waste Management

Water Supply

Special Environmental Health Programme (Gaza)

(c) Food & Nutrition

(d) Programme Management

PROGRAMME ACTIVITIES

1.82 Providing approximately 8.0 million out-patient medical consultations per annum to refugee patients through UNRWA's network of 122 primary health care facilities in Jordan, Lebanon, the Syrian Arab Republic, the Gaza Strip and the West Bank.

1.83 Providing approximately 600,000 dental consultations/treatments per annum through UNRWA's network of 80 stationed dental units and 8 mobile dental teams as well as regular screening of pregnant women and school children to detect dental and periodontal diseases.

1.84 Providing expanded maternal health services including ante-natal, pre-natal, post-natal care and iron supplementation to approximately 90,000 women per annum through UNRWA's network of primary health care facilities.

1.85 Providing family planning services to approximately 100,000 women of reproductive age per annum including counselling services and provision of modern contraceptive methods.

1.86 Implementing within a multisectoral approach of targeted health education and promotion activities are core elements of the programme. Current initiatives are aimed at promoting healthy lifestyles among population groups at risk, as well as educating youth on prevention of HIV/AIDS and other sexually transmitted diseases, and prevention of tobacco use.

1.87 Providing regular immunisation for all registered infants under the age of 12 months; two rounds of mass immunisation campaign against poliomyelitis and measles each year; participation in the national programmes of the host authorities for control of tuberculosis and HIV/AIDS.

1.88 Providing close medical supervision and monitoring to more than 220,000 children below 3 years of age per year, including immunisation against vaccine-preventable diseases and treatment of anaemia among children 6-24 months of age.

1.89 Maintaining a system of active surveillance of communicable diseases, including vaccine-preventable diseases and providing special care to approximately 120,000 patients suffering from non-communicable diseases such as diabetes mellitus and hypertension.

1.90 Providing preventive care to approximately 500,000 school children enrolled in UNRWA schools including thorough medical examination of new entrants, management of morbidity conditions, booster immunisations and de-worming of all school children.

1.91 Providing referral services to Agency contracted hospitals and assistance towards hospitalisation costs to approximately 56,000 patients per annum.

1.92 Providing environmental health services to over 1.3 million Palestine refugees residing in 58 refugee camps in the five fields of operations in close collaboration with local municipalities of the host authorities to minimise risks to human health and prevent environmental degradation by maintaining optimal sanitary conditions and improving basic environmental health facilities in refugee camps.

1.93 Maintaining a system of active surveillance of the nutritional status of vulnerable groups through maternal and child health service as well as through periodic nutritional surveys, as well as providing food aid to pregnant women, nursing mothers and tuberculosis patients in the form of dry rations to meet the special nutritional needs of those vulnerable groups and prevent nutritional deficiencies.

1.94 Enhancing community participation and cost-sharing through co-payment towards secondary care, tertiary care, prosthetic devices, specialised medical investigations and non-programmed life-saving medicines as well as through self-help projects for pavement of pathways and connection of refugee shelters to internal sewerage systems in refugee camps.

1.95 Implementing programmes for development of human resources for health and enhancing the process of institutional capacity building through in-service and on-the-job-training of the various categories of health personnel to enhance their skills and capabilities and streamline service standards consistent with approved health policies, strategies, technical guidelines and defined procedures.

1.96 Carrying out periodic evaluations of the various programme components to assess performance and measure outputs/outcomes.

1.97 Maintaining close partnership with the World Health Organization (WHO), which assumes technical supervision of the Health Programme under the terms of an agreement signed between UNRWA and WHO in 1950 including meeting the cost of international and area professional staff assigned to Headquarters as well as technical guidance and consultant services. Also maintaining close collaboration with other UN organisations including UNICEF and UNAIDS.

1.98 Maintaining close collaborative links with the Ministries of Health of the host authorities with respect to surveillance of communicable diseases, participation in national immunisation campaigns, provision of vaccines as in-kind contributions to UNRWA, integration of environmental health projects into regional planning schemes, sharing of technical expertise and information, and joint participation on an ad hoc basis in health-related projects and training.

FINANCIAL RESOURCES

Table 13: Health Programme Resource Requirements by Category of Expenditure

(Cash and In-Kind, in Thousands of United States Dollars)

		2000-2001 Expenditure	2002-2003 Appropriation	2004-2005 Estimate	Increase/ (Decrease) 2004-2005 over 2002-2003
Staff	International Staff	440	388	914	
	Area Staff	58,885	64,634	66,051	
	Sub-Total	**59,325**	**65,022**	**66,965**	**1,943**
Services	Travel	94	145	124	
	Communication	122	132	147	
	Transport Services	27	36	26	
	Training	74	136	139	
	Maintenance of Equipment and Furniture	244	317	312	
	Miscellaneous Services	2,084	2,373	2,487	
	Consultancy Services	140	200	144	
	Hospital Services	12,666	16,469	18,313	
	Sub-Total	**15,451**	**19,808**	**21,692**	**1,884**
Supplies	Medical Supplies	12,704	19,083	21,846	

	Transportation Supplies	230	398	366	
	Clothing Supplies	131	194	179	
	Library Books	17	15	13	
	Fresh Food	73	102	80	
	Miscellaneous Supplies	772	1,051	1,027	
	Basic Commodities	6,625	8,732	7,033	
	Sub-Total	**20,552**	**29,575**	**30,544**	**969**
Equipment &	Computer Hard/Software	99	27	78	
Minor	Equipment & Furniture	662	945	1,035	
Construction					
	Minor Construction	37	92	211	
	Sub-Total	**798**	**1,064**	**1,324**	**260**
Premises	Rental of Premises	200	222	244	
	Utilities	583	645	815	
	Maintenance	367	487	497	
	Sub-Total	**1,150**	**1,354**	**1,556**	**202**
Grants & Subsidies		**2,608**	**2,619**	**4,605**	**1,986**
Other	Reserves	-	131	131	
	Sub-Total	**-**	**131**	**131**	**-**
Total Regular Budget		**99,884**	**119,573**	**126,817**	**7,244**
Total Project Budget		**17,282**	**26,597**	**13,026**	**(13,571)**

BUDGETARY COMMENTS

1.99 Table 13 indicates a resource growth in the Health Programme of $ 7.2 million (6.1%) over the 2002-2003 appropriation. This increase is attributable to the following:

(a) Increase of $ 1.5 million in staff costs is due to:

(i) $ 1.5 million for 162 additional health staff posts to cope with the heavy load represented by the high ratio of patient/doctor visits;

(ii) $ 0.9 million for additional casual sanitation workers;

(iii) $ 1.2 million for annual salary increment;

(iv) A decrease of $ 2.1 million due to converting approximately 225 posts from pre-1999 to 1999 ASR and covering the costs of environmental health posts in the Gaza Strip in the first half of 2004 through project funding.

(b) Increase of $ 1.9 million in hospitalisation services to meet expected increases in demand for hospital services and the expected increase in hospitalisation rates. Increases of $ 1.0 million in Lebanon, $ 0.5 million in Syrian Arab Republic, $ 0.2 million in West bank while $ 0.4 in Jordan was transferred to patient subsidies.

(c) Increase of $ 1.0 million in supplies due to:

(i) $ 2.7 million in medical supplies as a result of increased patient visits and price increases;

(ii) Decrease of $ 1.7 million in basic commodities provided to pregnant women and nursing mothers due to reduction in budget standard prices and changes of commodities to be distributed.

(d) Increase of $ 0.2 million in equipment and furniture to replace old unserviceable items.

(e) Increase of $ 0.2 million in utilities due to expected increases in tariffs.

IV. RELIEF AND SOCIAL SERVICES PROGRAMME

OVERVIEW

1.100 The Agency also provides a range of relief and social services. These services will continue to be provided to eligible refugees, whether they live in camps, towns, villages or remote areas, and include food support, shelter rehabilitation, and selective cash assistance, which are delivered to special hardship cases, that is, refugee families that are unable to meet their basic needs. As at the end of December 2002, a total of 228,912 persons (57,531 families) were benefiting from the cyclical assistance under the Special Hardship programme. The number of special hardship cases is expected to grow by an average 3.5% per annum during the biennium 2004-2005. The Relief and Social Services programme also provides income-generation and community development services that promote self-reliance among less advantaged members of the refugee community, in particular women, youth and the physically and mentally disabled. Eligibility for services is determined by the

Registration sub-programme. In emergency situations, assistance will be extended to affected communities (refugees and non-refugees) as a temporary measure and as donor support allows.

OBJECTIVES

1.101 To ease the immediate plight of the poorest eligible refugee families through basic subsistence support at the current food/cash subsidy levels of $ 100 - $ 110 per person per annum.

1.102 To provide housing to families who have lost their shelters (due to military action in the West Bank and the Gaza Strip) or who live in sub-standard housing as a result of chronic poverty.

1.103 To assist families with small-scale emergency needs during a family-specific economic or humanitarian crisis through selective cash assistance.

1.104 To promote and facilitate community-based action that provides rehabilitation services or creates new social, cultural, economic or educational opportunities for vulnerable individuals and families.

1.105 To promote the institutional capacity of community-based organisations so refugees can more effectively formulate and implement social services for vulnerable groups in their own respective communities.

1.106 To increase the number of credit opportunities for individuals and groups in line with the specific mandate of RSSP and as stipulated by the 2003 policy.

1.107 To promote continued progress on the long-term goals of the three project-funded priorities, namely to preserve electronically the historical records of the registered refugees; to reach a higher level of technical accuracy, dependability and validity for the Agency's computerised refugee registration system through total redesign; and to alleviate sub-standard housing conditions in Neirab Camp.

1.108 To maximise use of limited resources through increased operational efficiencies; inter-Agency and inter-departmental cooperation; ongoing consultation with host authorities; programmatic, funding and professional collaboration with local and international NGOs and through various cost sharing and self-help mechanisms.

1.109 To maintain updated registration records on the more than 4 million refugees through monthly updates (births, marriages, deaths) and amendment of family registration and ration cards.

1.110 To improve the skills and professional knowledge of RSSP staff through the creation of systematic, in-house continuing education opportunities. Special priority will be given to the orientation and on-going training of the social workers, who comprise 41.2% of RSSP staff.

STRUCTURE

1.111 The structure of the Relief and Social Services Programme is as follows:

(a) Relief Services

Food Support for Special Hardship Cases (SHC) Families

Shelter Rehabilitation

Selective Cash Assistance

(b) Eligibility and Registration

(c) Social Services

Community Development Programme

Women's Programme

Disability Programme

Children and Youth Programme

Micro-Credit & Savings Programme

(d) Programme Management

PROGRAMME ACTIVITIES

1.112 Providing quarterly food rations and cash subsidies to at least 230,000 impoverished refugees (57,500 families) enrolled each year in the Special Hardship Assistance programme.

1.113 Monitoring the implementation of the Special Hardship Assistance programme through regular home visits by 260 social workers and on-going supervision of senior field management.

1.114 Increasing the self-reliance of refugees through such measures as the further development of the self-help approach to housing, teaching higher level management skills to committee members managing refugee-administered community development programmes, and improving the use and impact of credit operations. Self-reliance will be encouraged through making a wide range of opportunities available and easily accessible at more than 134 facilities inside the refugee camps.

1.115 Utilising selective cash assistance programme to aid families finding themselves in a sudden emergency or crisis situation, with no cushion of support. Providing one-time grants directed at meeting basic humanitarian needs, such as replacement of essential household goods lost to fire or flood to heating fuel or equipment, emergency medical bills, critical immediate financial needs due to the unexpected and sudden death of a head of family, or school clothes for children.

1.116 Implementing emergency measures in any of the five areas of operation as necessary including mass food distribution; post-injury assistance to the newly disabled; shelter reconstruction, repair or adaptation of premises (access for disabled), counselling/referral services; or emergency cash assistance (for temporary housing of homeless families, kitchen or other household equipment, basic survival needs, prosthetic devices, medicine).

1.117 Implementing the Department's strategic plan. Improving the monitoring and evaluation activities of field and HQ operations, implementing the new gender and updated disability policies and instituting new courses designed for social workers and senior field managers.

1.118 Completing a social policy with an accompanying set of technical instructions ensuring that the more than four million refugees eligible for UNRWA services are registered in its computerised records. The Department seeks to maximise client satisfaction and efficiencies in this regard through the utilisation of up-to-date information technology.

1.119 Promoting the programme and project priorities that need extra-budgetary funding including the Neirab Rehabilitation Project, the on-going shelter rehabilitation programme, major emergency responses, the Palestine Refugee Records Project and most of the human resource development activities.

FINANCIAL RESOURCES

Table 14: Relief and Social Services Programme Resource Requirements by Category of Expenditure

(Cash and In-Kind, in Thousands of United States Dollars)

		2000-2001 Expenditure	2002-2003 Appropriation	2004-2005 Estimate	Increase/ (Decrease) 2004-2005 over 2002-2003
Staff	International Staff	402	650	460	
	Area Staff	11,245	12,815	13,798	
	Sub-Total	**11,647**	**13,465**	**14,258**	**793**
Services	Travel	149	173	175	
	Communication	19	30	28	
	Transport Services	11	17	22	
	Training	140	143	172	
	Maintenance of Equipment and Furniture	16	20	18	
	Miscellaneous Services	327	403	394	
	Consultancy Services	45	77	68	
	Sub-Total	**707**	**863**	**877**	**14**
Supplies	Clothing Supplies	11	14	17	
	Library Books	8	11	9	
	Fresh Food	5	5	6	

	Miscellaneous Supplies	828	304	325	
	Basic Commodities	23,260	31,720	30,069	
	Sub-Total	**24,112**	**32,054**	**30,426**	**(1,628)**
Equipment &	Computer Hard/Software	109	111	222	
Minor	Equipment & Furniture	143	115	130	
Construction					
	Minor Construction	143	41	96	
	Sub-Total	**395**	**267**	**448**	**181**
Premises	Rental of Premises	205	223	74	
	Utilities	34	33	38	
	Maintenance	196	303	259	
	Sub-Total	**435**	**559**	**371**	**(188)**
Subsidies	Other Subsidies	18,746	21,240	23,394	
	Sub-Total	**18,746**	**21,240**	**23,394**	**2,154**
Other	Reserves	-	90	90	
	Sub-Total	**-**	**90**	**90**	
Total Regular Budget		**56,042**	**68,538**	**69,864**	**1,326**
Total Project Budget		**44,041**	**26,463**	**22,920**	**(3,543)**

BUDGETARY COMMENTS

1.120 Table 14 indicates a resource growth in the Relief and Social services Programme of $ 1.3 million (1.9%) over the 2002-2003 appropriation. This increase is attributable to:

(a) Increase of $ 0.8 million in staff costs due to:

(i) Reduction of $ 0.2 million for international staff costs due to reclassifying a P5 post to Common Services;

(ii) Increase of $ 1.0 million for area staff costs to cover an additional 29 posts in the amount of $ 0.3 million, annual salary increment as well as the impact of salary increases granted in 2002-2003.

(b) Increase of $ 2.1 million in subsidies due to:

(i) $ 0.8 million for selective cash assistance in Lebanon to meet urgent requirements;

(ii) $ 1.3 million for cash subsidies in lieu of food commodities.

(c) Increase of $ 0.2 million for replacement of computer hardware and minor construction works.

(d) Decrease of $ 1.6 million in basic commodities received in-kind due to changes of commodities for distribution and decreased budget standard prices.

(e) Decrease of $ 0.2 million in premises as a result of moving from rented accommodation.

V. MICROFINANCE AND MICROENTERPRISE PROGRAMME

OVERVIEW

1.121 The Agency's Microfinance and Microenterprise Programme (MMP) supports the development of the microenterprise and small-scale business sector within the refugee community by providing working capital and capital investment products. The programme, which runs large-scale credit operations in the West Bank and the Gaza Strip, initiated expansion into Jordan and the Syrian Arab Republic in 2002. The programme provides its credit products on a commercial, self-sustaining and market-oriented microfinance basis. These products strengthen business activity, create jobs, generate income for participants and help to alleviate poverty. Small and microenterprise training is provided in the Gaza Strip, contributing to employment generation and the economic development of the area. The mainstreaming of women in credit is also a significant element of the development mission of the programme. In addition to helping women to become economically self-reliant, loans to women help informal enterprise owners to develop formal enterprises and create a culture where women's economic activity is socially valued. UNRWA promotes credit for women through its Solidarity Group Lending programme, which provides credit solely to women-owned microenterprises.

OBJECTIVES

1.122 To provide sustainable credit in a cost-effective manner, by concentrating financial services in poorer urban areas which are centres of commercial and industrial activity with a highly localised density of Palestine refugees.

1.123 To pursue programme development and expansion through adhering to international standards of efficiency and outreach in a way that provides cost-effective services to clients in a sustainable manner. The programme strives to maintain the best practices of the microfinance industry by adhering to the standards established for the industry by such institutions as the Consultative Group to Assist the Poorest, the United States Agency for International Development, the Microfinance Network, Calmeadow Foundation and Accion International.

1.124 To meet the emerging standards for business training and Business Development Services (BDS), where all the direct costs of training from participation fees are covered and overhead and administrative costs are met from donor contributions.

STRUCTURE

1.125 The structure of the Microfinance and Microenterprise Programme is as follows:

(a) Small-Scale Enterprise Credit

(b) Small and Microenterprise Training (Gaza)

(c) Microenterprise Credit

(d) Solidarity Group Lending (Gaza)

(e) Consumer Lending (Gaza)

(f) Programme Management

PROGRAMME ACTIVITIES

1.126 Disbursing 41,995 loans valued at $37.44 million in the West Bank, the Gaza Strip, Jordan and the Syrian Arab Republic over the 2004-2005 biennium.

1.127 Opening in Jordan and the Syrian Arab Republic a minimum of three new branch offices. Completing extension of the branch office network in the West Bank to Ramallah, Bethlehem, Qalqilya and Jerusalem.

1.128 Regionalising the programme together with a new central office/headquarters.

1.129 Designing and implementing a new loan management information system that is fully integrated with UNRWA's finance management system and/or its own accounts package.

1.130 Developing an in-house training capacity to ensure the quality control of products and the corporate understanding of credit methodologies and job functions.

1.131 Maintaining the human resources capacity and developing the human capital so that it passes through the current period of austerity without reducing its capacity or the professionalism of its services.

1.132 Introducing a staff incentive scheme to help recover the pre-crisis high levels of programme productivity and efficiency in the West Bank and the Gaza Strip. Increasing the growth and cost-recovery rates of the programme in Jordan and the Syrian Arab Republic.

VI. OPERATIONAL AND TECHNICAL SERVICES

OVERVIEW

1.133 The mission of the Operational Technical Services Department (OTSD) is to sustain customers' service through creating synergy in the functions of the Agency's information systems, procurement, logistics and construction and engineering services, and to direct these services to achieve best value for money thereby contributing to UNRWA's mandate in providing humanitarian assistance to Palestine refugees.

OBJECTIVE

1.134 To enhance the quality, communication efficiency, reliability, timeliness, and cost-effectiveness of the operational and technical services in the areas of procurement, logistics, information and communications technology (ICT), construction, and engineering.

STRUCTURE

1.135 The structure of the Operational Technical Services is as follows:

(a) Procurement and Logistics Services

(b) Information and Communications Technology Services

(c) Engineering and Construction Services

PROGRAMME ACTIVITIES

1.136 Procuring goods, IT services, engineering and construction services. Preparing designs, technical instructions and procedures for user departments in a cost effective, timely and transparent manner in accordance with specifications, user requirements and within budget. Working in synergy to provide integrated and optimal solutions and services to fulfill the user needs.

1.137 Managing the Agency's inventory for a range of goods, including basic commodities, stationery, equipment, computer hardware and software, medical supplies as well as an extensive variety of general supplies. The Department also manages the vehicle fleet throughout the Agency, including procurement of vehicles and spare parts, maintaining the inventory of spare parts and running workshops for vehicle maintenance. Providing logistical services for transport of staff and goods within and among the fields. Running distribution centres for basic food commodities.

1.138 Introducing, maintaining and modernising Information Technology in UNRWA. Deploying systems and telecommunications infrastructure. Formulating and updating hardware, software and telecommunications standards and related instructions of acquisition, distribution, maintenance and support.

1.139 Implementing a training plan for all Divisions based on actual needs of staff re-skilling and development.

1.140 Reviewing and updating specifications in co-ordination with user departments to ensure fitness for purpose and value for money.

1.141 Enhancing computer utilisation and automation of office routines.

FINANCIAL RESOURCES

Table 15: Operational & Technical Services Resource Requirements by Category of Expenditure

(Cash and In-Kind, in Thousands of United States Dollars)

		2000-2001 Expenditure	2002-2003 Appropriation	2004-2005 Estimate	Increase/ (Decrease) 2004-2005 over 2002-2003
Staff	International Staff	5,517	5,680	7,303	
	Area Staff	16,033	19,071	19,567	
	Sub-Total	**21,550**	**24,751**	**26,870**	**2,119**
Services	Travel	260	395	370	
	Communication	355	722	1,366	
	Transport Services	1,426	878	892	
	Port Operation	1,675	1,033	1,698	
	Training	96	241	327	
	Maintenance of Equipment and Furniture	139	370	378	
	Miscellaneous Services	1,908	1,963	2,816	
	Consultancy Services	53	364	317	
	Sub-Total	**5,912**	**5,966**	**8,164**	**2,198**
Supplies	Transportation Supplies	2,055	2,346	2,901	

	Textbooks & Library Books	20	39	40	
	Miscellaneous Supplies	4,171	554	537	
	Sub-Total	**6,246**	**2,939**	**3,478**	**539**
Equipment &	Computer Hard/Software	566	1,145	1,916	
Minor	Equipment & Furniture	370	601	786	
Construction					
	Transport Equipment	767	2,978	3,076	
	Minor Construction	123	94	81	
	Sub-Total	**1,826**	**4,818**	**5,859**	**1,041**
Premises	Rental of Premises	54	59	53	
	Utilities	118	123	130	
	Maintenance	171	261	260	
	Sub-Total	**343**	**443**	**443**	**-**
Other	Reserves	-	518	500	
	Sub-Total	**-**	**518**	**500**	**(18)**
Total Regular Budget		**35,877**	**39,435**	**45,314**	**5,879**
Total Project Budget		**5,270**	**300**	**990**	**690**

BUDGETARY COMMENTS

1.142 Table 15 shows a resource growth of $ 5.9 million in Operational and Technical Services (14.9%) over the 2002-2003 appropriation. This growth is attributable to the following:

(a) Increase of $ 2.1 million in staff costs due to:

(i) $ 1.6 million for international staff due to changes in budget standard costs and upgrade of certain posts;

(ii) $ 0.5 million due to annual increment and 14 additional staff.

(b) Increase of $ 2.2 in services due to:

(i) $ 0.7 million to expand SWAN communication services;

(ii) $ 0.6 million in port services due to changes in tariff and additional expected consignments;

(iii) $ 0.8 million in other services such as insurance and services for expansion of the SWAN;

(iv) $ 0.1 million in other items.

(c) Increase of $ 0.6 million in supplies due to increased fuel prices.

(d) Increase of $ 1.0 million in equipment and furniture due to replacement of computer hardware, update of UNRWA's software and replacement of unserviceable furniture and equipment.

VII. COMMON SERVICES

OVERVIEW

1.143 Common Services provide the appropriate supervision and support required by the Agency and its Programmes.

1.144 Common Services comprises: Commissioner-General's Office, Legal Services, Audit and Inspection, External Relations, Public Information, Policy Analysis, New York and Geneva Liaison Offices, Administration and Human Resources, and Financial Services.

OBJECTIVES

1.145 To provide leadership and strategic policy guidance to the Agency's Field and Programme managers, to render legal counsel to the Commissioner General's office and the Agency's Fields, and to strengthen the cost effective management and administration of UNRWA's human and financial resources.

1.146 To provide leadership and strategic policy and legal guidance in relations with the Agency's external stakeholders, and to increase the support of those stakeholders for the Agency's operations.

FINANCIAL RESOURCES

Table 16: Common Services Resource Requirements by Category of Expenditure

(Cash and In-Kind, in Thousands of United States Dollars)

		2000-2001 Expenditure	2002-2003 Appropriation	2004-2005 Estimate	Increase/ (Decrease) 2004-2005 over 2002-2003
Staff	International Staff	18,285	21,780	28,320	
	Area Staff	17,447	23,476	23,195	
	Sub-Total	**35,732**	**45,256**	**51,515**	**6,259**
Services	Travel	094	1,057	1,248	
	Communication	1,550	1.371	1,525	
	Transport Services	5	4	5	
	Training	95	1,373	1,277	
	Maintenance of Equipment and Furniture	225	331	287	
	Miscellaneous Services	1,108	2,428	1,744	
	Consultancy Services	263	480	511	
	Sub-Total	**4,240**	**7,044**	**6,597**	**(447)**
Supplies	Medical Supplies	-	3	3	
	Transportation Supplies	36	30	59	
	Clothing Supplies	8	14	14	

	Library Books	24	59	59	
	Miscellaneous Supplies	685	1,027	1,095	
	Supplies for PIO	4	7	7	
	Sub-Total	**757**	**1,140**	**1,237**	**97**
Equipment & Minor	Computer Hard/Software	586	354	470	
Construction	Equipment & Furniture	329	588	339	
	Minor Construction	188	8	160	
	Sub-Total	**1,103**	**950**	**969**	**19**
Premises	Rental of Premises	497	503	563	
	Utilities	806	897	910	
	Maintenance	538	692	587	
	Sub-Total	**1,841**	**2,092**	**2,060**	**(32)**
Grants & Subsidies		**54**	**85**	**77**	**(8)**
Other	Reserves	-	31,336	24,336	
	Sub-Total	**-**	**31,336**	**24,336**	**(7,000)**
Total Regular Budget		**43,727**	**87,903**	**86,791**	**(1,112)**
Total Project Budget		**2,473**	**706**	**-**	**(706)**

Note: The Programme Support Costs recorded in the biennium 2000-2001 were $ 5.3 million.

BUDGETARY COMMENTS

1.147 Table 16 shows a resource growth of $ 5.9 million in Common Services (10.3%) over the 2002-2003 appropriation. This growth is attributable to:

(a) Increase of $ 6.5 million in international staff costs due to increase in budget standard costs, reclassifying a post from Relief and Social services Programme to Common Services and the proposed establishment of additional three posts (one D-1, one P-5 and one GS).

(b) Decrease of $ 0.3 million in area staff costs due to converting posts from pre-1999 to 1999 ASR.

(c) Decrease of $ 0.4 million in services due to the following:

(i) Increase of $ 0.2 million in travel budget to meet actual needs;

(ii) Increase of $ 0.1 million in communication charges;

(iii) Decrease of $ 0.1 million in training budget in accordance with expected training activities for the biennium;

(iv) Decrease of $ 0.6 million in miscellaneous services as a result of reducing allocation for charges from UNNY by $ 0.4 million according to actual and $ 0.2 million for other items.

(d) Increase of $ 0.1 million in miscellaneous supplies.

VIII. STAFF COSTS

TABLE 17: INTERNATIONAL STAFFING REQUIREMENTS, 2004-2005

Post Grade	Posts Funded by UN Regular Budget	Posts Funded by other Sources
A) Professional & Above		
USG	1	-
ASG	1	-
D2	2	2
D1	11	2
P5	18	6
P4	41	2
P3	18	12
P2/P1	2	17
Sub-Total (A)	**94**	**41**
B) General Services	11	2
Sub-Total (B)	**11**	**2**
Total (A+B)	**105**	**43**[1]

[1] Includes 21 posts funded by project funds, 12 JPOs funded by governments, 2 posts funded by UNESCO, 2 posts funded by WHO, 1 post funded by the MMP, 1 post funded by the Provident Fund and 1 D-1, 1 P-5, 1 P-3 and 1 GS from voluntary contributions.

1.148 Through Resolution 3331 B (XXIX) of 17 December 1974, the General Assembly decided that the expenses relating to the emoluments of international staff in the service of UNRWA, which

would otherwise have been charged to voluntary contributions, should be provided for under the UN's regular budget with effect from 1 January 1975 for the duration of the Agency's mandate.

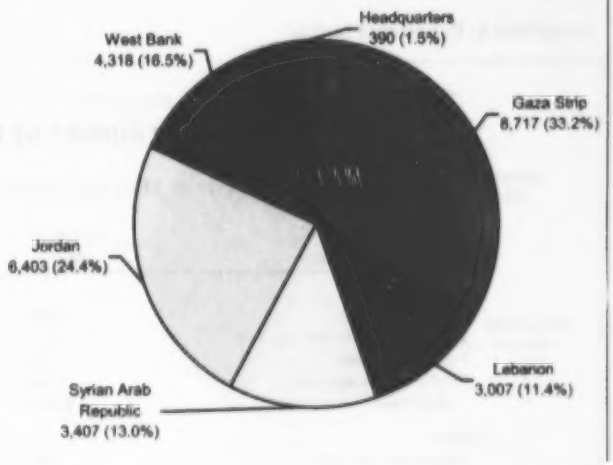
TABLE 18: ESTIMATED NUMBER OF AREA STAFF AT 31 DECEMBER 2005

BY PROGRAMME AND FIELD

Programme	Jordan	Lebanon	Syrian Arab Republic	West Bank	Gaza Strip	Head-quarters	Total
Education	5,003	2,014	2,579	2,921	6,739	74	19,330
Health	990	565	473	729	1,076	13	3,846
Relief & Social Services	135	106	99	127	223	16	706
Microfinance & Microenterprise	12	-	8	44	112	-	176
Operational & Technical Services	130	169	141	237	349	91	1,117
Common Services	133	153	107	260	218	196	1,067
Total	6,403	3,007	3,407	4,318	8,717	390	26,242

FIGURE 9: ESTIMATED NUMBER OF AREA STAFF AT 31 DECEMBER 2005, BY FIELD

Gaza Strip	8,717
Lebanon	3,007
Syrian Arab Republic	3,407
Jordan	6,403
West Bank	4,318
Headquarters	390
Total	**26,242**



IX. PROJECT BUDGET

1.149 Project funding has accounted for a considerable share of the Agency's income and expenditure in recent years. Projects form an integral part of programme activities and are the means by which virtually all of the Agency's capital costs (for example, school construction and upgrading of health centres), as well as the costs related to environmental health improvements and shelter rehabilitation are funded.

1.150 The project budget represents the Agency's best estimate at the time of budget preparation of its immediate project funding requirements for the 2004-2005 biennium, based on the best anticipated level of donor funding. During the biennium, the Agency will present donors with proposals of projects contained in the project budget.

TABLE 19: PROJECT BUDGET BY PROGRAMME

(In Thousands of United States Dollars)

	2004	2005	Total 2004-2005
Education			
General Education	19,241	17,296	36,537
Vocational & Technical Education	1,413	1,854	3,267
Teacher Education	150	15	165
Programme Management	1,250	1,250	2,500
Sub-Total	**22,054**	**20,415**	**42,469**
Health			
Medical Care Services	870	352	1,222
Environmental Health	5,751	6,053	11,804
Sub-Total	**6,621**	**6,405**	**13,026**
Relief & Social Services			
Relief Services	8,786	12,786	21,572
Social Services*	113	113	226
Programme Management	561	561	1,122
Sub-Total	**9,460**	**13,460**	**22,920**
Microfinance & Microenterprise Prog.*	**6,821**	**6,855**	**13,676**
Operational & Technical Services	**990**	-	**990**
Total Project Budget	**45,946**	**47,135**	**93,081**

* *Includes $ 3.1 million each year under project budget funded from Microfinance & Microcredit Programme (MMP) and Micro-Credit Savings Programme (MSP) income.*

1.151 Table 19 shows a breakdown of the project budget by programme and Figure 10 shows how this budget is split between the Fields. The project budget amounts to $ 45.9 million for the year 2004 and $ 47.1 million for the year 2005. These amounts represent 11.6% of total budget volume for the biennium. With the exception of MMP, a self-funded project for which recurrent costs amount to $ 3.1 million annually, the project budget represents unfunded activities.

FIGURE 10: PROJECT BUDGET BY FIELD

(In Thousands of United States Dollars)

Jordan	13,386
Lebanon	8,065
Syrian Arab Republic	16,768
West Bank	14,938
Gaza Strip	37,312
Headquarters	2,612
Total	**93,081**